



## VERMONT PENSION INVESTMENT COMMITTEE

MAY 26, 2015

**DRAFT; NOT YET APPROVED BY COMMITTEE**

### **VPIC Members Present:**

STEPHEN RAUH, CHAIR

BETH PEARCE, VICE-CHAIR, Vermont State Treasurer

VAUGHN ALTEMUS, Governor's Delegate, term expiring June 30, 2018

KAREN PAUL, Governor's Delegate, term expiring June 30, 2018

THOMAS GOLONKA, VMERS Representative, term expiring June 30, 2016

ROBERT HOOPER, VSERS Representative, term expiring June 30, 2016

JOSEPH MACKEY, VSTRS Representative, term expiring June 30, 2015

### **VPIC Member(s) Absent:**

None

### **VPIC Alternate Members Present:**

STEVEN JEFFREY, VMERS *Alternate*, term expiring June 30, 2016

LINDA DELIDUKA, VSTRS *Alternate*, term expiring June 30, 2017

DAVID STARR, Governor's Delegate *Alternate*, term expiring June 30, 2016

JEFF BRIGGS, VSERS *Alternate*, term expiring June 30, 2016

### **VPIC Alternate Member(s) Absent:**

None

### **Also attending:**

Stephen Wisloski, Deputy Treasurer

Matt Considine, Director of Investments

Nick Foss, Investments Analyst

Katie Green, Investments Manager

Jaye Pershing-Johnson and Jesse Moorman, Attorney General's Office

Doug Moseley, Chris Levell, & Richard Charlton NEPC LLC

Jillian Mayer and Maeve McBride 350VT

### **CALL TO ORDER:**

The Chair, Mr. Rauh, called the Tuesday, May 26<sup>th</sup> meeting to order at 8:30 am, which was held in the 4<sup>th</sup> Floor Conference Room, 109 State Street, Montpelier, VT.

### **ITEM 1:      Agenda Approval and Announcements**

The Chair, Mr. Rauh, reviewed the agenda with the Committee and, hearing no objection, indicated the agenda was approved as written.

**ITEM 2:      Consent Agenda**

- **Previous VPIC Meeting Minutes**

The Chair, Mr. Rauh, indicated the items in the Consent Agenda today were the minutes from the April VPIC meeting.

Hearing no objections, Mr. Rauh indicated the Consent Agenda was approved as written.

**ITEM 3:      Director of Investments Report and Action Items**

Mr. Considine reviewed the Director of Investments Report with the Board. He outlined the Portfolio Asset Allocation table and notified the board that, as of April 30<sup>th</sup>, the VPIC composite AUM was at \$4 billion and the allocations were in line with their target allocations. Mr. Considine summarized a memo prepared by staff that outlined the drivers of the recent outperformance witnessed by the Mellon Capital “Dynamic Growth Fund” product. Ms. Green introduced to the Board an amendment to the contract investment guidelines requested from Guggenheim Investments. Mr. Considine provided the Board with an update on a number of contracts in the process of being extended. Finally, Mr. Considine updated the Board on a downgraded bond position held by PIMCO, for which permission to continue to hold the position was granted.

**On a motion by Bob Hooper, seconded by Vaughn Altemus, the Committee unanimously approved a motion to adopt the amendments to Guggenheim Partners’ contract investment guidelines as recommended by Staff.**

**ITEM 4:      Discussion Items and Updates**

- **Vermont State Treasurer’s Update**

Treasurer Pearce announced to the Board that she would be leaving the VPIC meeting today at 9:00am in order to attend the annual ExxonMobil Shareholder meeting in Dallas, Texas. The purpose of attending the meeting is to provide testimony on behalf of VPIC to the Exxon Board of Directors, as well as, network with other shareholders on the topic of greenhouse gas emission targets. Treasurer Pearce announced that she has sent the initial asset allocation to Buck Consultants for their review and that they have provided some preliminary results. Treasurer Pearce also notified the Board that the legislature passed the retirement bill supported by the Treasurer’s Office and that a retirement incentive program in the VSERS system has been approved, which will increase retirement compensation but will lower costs on the operating side.

Karen Paul requested that because of Treasurer Pearce’s departure that Public Comment be available after the Vermont State Treasurer’s Update.

## Public Comment

Jillian Mayer and Maeve McBride from 350VT delivered a public comment on fossil fuel divestment.

Karen Paul asked NEPC to provide information on VPIC's coal investments and the ramifications that would be involved with divesting from coal. Jeff Briggs responded by seconding that he too would like to have this information provided.

- **CFA Primer for Investment Trustees**
- **April Flash Report**

NEPC reviewed with the Committee members the April Flash report. NEPC responded to the questions posed by the Committee members.

- **NEPC Investment Manager Watch List: PIMCO, Schroder**

Mr. Moseley indicated that both the PIMCO Unconstrained Bond Fund and Schroders remain on the NEPC Watch List. Mr. Moseley mentioned that there have been some staff changes at Schroders recently and that NEPC has recommended a review of the product and a search into alternative strategies that can provide commodity exposure.

## **ITEM 5:**      **Q1 Portfolio Performance Review**

Mr. Moseley and Mr. Levell reviewed with the Committee the *First Quarter Investment Performance Analysis* document. Mr. Moseley reviewed the market environment over the first quarter of 2015. The Committee, staff and NEPC discussed the various VPIC funds' performance. Mr. Moseley responded to questions posed by the Committee members.

## **ITEM 6:**      **VPIC Asset Allocation Follow-up**

- **Impact of Recent Changes in Asset Allocation on Expected Return and Expected Risk**
- **Inflation Hedges and GAA Sector**
- **Custom Peer Group Data**
- **Impact of Interest Rate and Amortization Scenarios on ARC**
- **Investment Process and Core Beliefs**

Mr. Moseley and Mr. Levell reviewed with the Committee the *Asset Allocation Review & Discussion (Part III)* document. Mr. Moseley reviewed the expected return and volatility for the current VPIC policy allocation targets approved back in March, as well as, a number of alternative policy mixes. Mr. Moseley and Mr. Levell provided recommendations to the Board on asset allocation and responded to questions posed by the Committee members.

**ITEM 7: Economic and Financial Market Dashboard**

Mr. Considine reviewed with the Committee the economic and financial market dashboard. The Committee discussed the positive and negative factors on the economic and financial market dashboard.

**ITEM 8: Future Agenda Topics/New or Other Business**

Mr. Rauh indicated a number of upcoming agenda topics and asked the Board if they had any topics they would like added to future agendas. Mr. Rauh indicated there was no new or other business to come before the Board.

**ITEM 9: Adjournment**

**Mr. Rauh adjourned the meeting at 12:40pm.**

Respectfully submitted,

**Nick Foss  
Investments Analyst**